MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
OCTOBER 13, 2016

Chairman Thomas A.K. Queenan presided at the Meeting of the Members of the Board of Directors of the Philadelphia Authority for Industrial Development held on Thursday, October 13, 2016 at 5:00 p.m. in PIDC’s offices, 2600 Centre Square West, 1500 Market Street, Philadelphia, PA.

Other Members attending:

   David L. Hyman, Esq.
   Leslie Anne Miller, Esq. (via phone)
   Evelyn Smalls

Attending from PIDC staff:

   John Grady, President
   Ilene Burak, Esq., Senior Vice President/General Counsel
   Anthony Simonetta, Senior Vice President
   Cassie Gardner, Executive Assistant

Also attending:

   Andrea Allon, PIDC Audit Committee Chair
   Francesco Froio, BDO, Partner
   Keith Hammond, BDO, Engagement Senior Manager
   Jeffrey Blumenfeld, Kutak Rock LLP

Upon a motion duly made and seconded the Minutes of the meeting held on September 13, 2016 were unanimously approved.

Mr. Grady requested approval of the following Resolutions:

1. A Resolution, in the form attached as Enclosure 1, authorizing the issuance of charter school revenue bonds (the “Bonds”) through the Philadelphia Authority for Industrial Development (“PAID” or the “Authority) on behalf of the Harambee Institute of Science and Technology Charter School, Inc., (the “Borrower”), in an amount not to exceed $7,500,000.

The proceeds of the bonds will be used by the Borrower to finance all or a portion of (i) the acquisition of and improvement to the facility currently leased by the School at 640
North 66th Street in the City of Philadelphia, PA, (ii) a capitalized interest and debt service reserve fund, if necessary, and (iii) costs of issuance.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the Borrower upon such terms and conditions as they deem to be in the best interests of the Authority.

Upon a motion duly made and seconded, with Mr. Hyman abstaining (see Enclosure 2), the Members unanimously approved the above resolution.

2. A Resolution, in the form attached as Enclosure 3, authorizing Philadelphia Authority for Industrial Development ("PAID" or the "Authority") to consent for the issuance of a tax-exempt financing in an amount up to $100,000,000 through the Montgomery County Higher Education and Health Authority, on behalf of the Holy Redeemer Health System and HR Physician Services (jointly and severally the "Borrower"), and certain affiliates.

The proceeds of the proposed financing will be used to finance the (i) refunding of Montgomery County Higher Education and Health Authority Series 2006-A Bonds issued on behalf of the Borrower for capital improvements to the Borrower's facilities located in Montgomery County; (ii) renovation, improvement, construction and equipping of Holy Redeemer Hospital and Holy Redeemer St. Joseph Manor, located in Montgomery County; (iii) renovation, improvement, construction and equipping of Holy Redeemer Lafayette, a senior living facility, located in the City of Philadelphia; (iv) the construction of two senior living facilities one in Philadelphia and the other in Montgomery County; (v) renovation, improvement and equipping of the Borrower's medical offices and administrative offices in both Montgomery and Philadelphia counties; (vi) construction, improvement and equipping of two new ambulatory care centers in Montgomery County; (vii) if required, the funding of any reserve funds; (viii) if necessary, reimbursement of working capital expenditures and (ix) payment of costs of issuance.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the Borrower upon such terms and conditions as they deem to be in the best interests of the Authority.

Upon a motion duly made and seconded, the Members unanimously approved the above resolution.

3. A Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to contract for the procurement of electricity supply for The Navy Yard. The contract amount shall not exceed $32,000,000 for the period of 2017 through 2019. The final amount will be determined by actual electric consumption, spot prices and the competitive fixed price contract solicitation process. The source of funds for this work will come from revenue generated through the sale of electricity to Navy Yard customers.
The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements in advance, and to do such other acts necessary to contract for the procurement of electricity supply for The Navy Yard upon such terms and conditions as they deem to be in the best interests of the Authority.

Upon a motion duly made and seconded, the Members unanimously approved the above resolution.

4. A Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to acquire fee simple title to an approximately 15,920 square foot property located at 1006 Buttonwood Street from the City of Philadelphia, and further authorizing PAID to sell this property to SA 1006 Buttonwood, LP or its assignee or nominee, for $1,150,000.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the City of Philadelphia upon such terms and conditions as they deem to be in the best interests of the Authority.

Upon a motion duly made and seconded, with Mr. Hyman abstaining (see Enclosure 4), the Members unanimously approved the above resolution.

5. A Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to enter into a lease with Alliance HSP Philadelphia Warehouse LP, and a further sublease with the City of Philadelphia acting by and through its Department of Public Property, to relocate the City’s Records Management and Archives to a facility consisting of 70,000 to 80,000 sq. ft. located at 465 N. 5th Street.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the City of Philadelphia upon such terms and conditions as they deem to be in the best interests of PAID.

Upon a motion duly made and seconded, the Members unanimously approved the above resolution.

6. A Resolution, in the form attached as Enclosure 5, authorizing approval of a tax-exempt bond financing through the Philadelphia Authority for Industrial Development (“PAID” or the “Authority”), in an amount not to exceed $40,000,000, on behalf of the Southwest Leadership Academy (the “Borrower”).

The proceeds of the bonds will be used by the Borrower to finance: (i) the acquisition of a parcel of land located at 1300 South 58th Street, in the City of Philadelphia; (ii) the construction and equipping of a new charter school facility; (iii) funding capitalized interest on the bonds, if any, (iv) a debt service reserve fund, if necessary; (v) an operating reserve fund, if necessary and (vi) costs of issuance.
The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the Borrower upon such terms and conditions as they deem to be in the best interests of the Authority.

Upon a motion duly made and seconded, the Members unanimously approved the above resolution.

7. A Resolution, in the form attached as Enclosure 6, authorizing approval of tax exempt revenue bonds (the “Bonds”) through the Philadelphia Authority for Industrial Development’s (“PAID” or the “Authority”), in an amount not to exceed $450,000,000, on behalf of Thomas Jefferson University (the “University” or the “Borrower”).

The proceeds of the Bonds will be used to finance (the current refunding of Pennsylvania Higher Educational Facilities Authority (“PHEFA”) Revenue Bonds (Thomas Jefferson University) Series 2006A and Series 2006B; (ii) the advance refunding of PHEFA’s Revenue Bonds (Thomas Jefferson University), Series 2010; (iii) the current refunding of the Authority's Revenue Bonds Series 2014 (Aria Health System Project); (iv) the advance refunding of all or a portion of the Montgomery County Higher Education and Health Authority (“MCHEHA”) Hospital Revenue Bonds, Series A of 2009 (Abington Memorial Hospital Obligated Group); (v) the current refunding of MCHEHA's Hospital Revenue Bonds, Series B of 2012 (Abington Memorial Hospital Obligated Group); (vi) the costs of the acquisition, construction and development of various capital assets; (vii) renovations of an existing vivarium, (viii) the construction of a cancer center facility to be located at the outpatient campus of Abington Health Center in Willow Grove, PA; (ix) miscellaneous capital projects approved in the capital budget; (x) the funding of any necessary reserves for the Bonds; (xi) the payment of capitalized interest on the Bonds, and (xii) certain costs of issuance.

The appropriate officers of PAID are hereby authorized and empowered to execute all necessary documents and agreements, and to do such other acts necessary to assist the Borrower, upon such terms and conditions as they deem to be in the best interest of the Authority.

Upon a motion duly made and seconded, the Members unanimously approved the above resolution.

Mr. Hammond presented the results of BDO's audit of PAID’s 2015 year-end financial statements and the firm's required communications (presentation attached as Enclosure 7).

Ms. Allon reported on the Audit Committee's review of the PAID financial statements and the quality of the audit.

The Board accepted the report of the Auditors as presented.

There being no further items presented to the Board, the meeting was adjourned.
RESOLUTION OF THE
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
ADOPTED: October 13, 2016

WHEREAS, the Philadelphia Authority for Industrial Development (the "Authority") is a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a public body corporate and politic organized and existing under the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended (the "Act"), for the purposes set forth therein; and

WHEREAS, Harambee Institute of Science and Technology Charter School, Inc., a Pennsylvania non-profit corporation and a public charter school (the "Borrower") and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has requested that the Authority issue its charter school revenue bonds (Harambee Charter School Project), Series 2016 Bonds (the "Bonds"), in an aggregate principal amount not to exceed $7,500,000 for the benefit of the Borrower; and

WHEREAS, the Borrower will use the proceeds of the Bonds, to finance a project (the "Project") consisting of:

(i) the acquisition of the real property and improvements comprising the Harambee Institute of Science and Technology Charter School (the "Facilities") located at 638-640 North 66th Street in the City Philadelphia, PA (the "City"), acquisition and installation of equipment and furnishings for, and completion of certain renovations and improvements to, the Facilities;

(ii) the funding of capitalized interest on the Bonds;

(iii) the funding of required debt service reserve fund for the Bonds; and

(iv) the payment of the costs of issuance of the Bonds; and

WHEREAS, pursuant to a trust indenture dated as of October 1, 2016, or such other date as maybe agreed upon by the parties (the "Indenture") from the Authority to a financial institution to be designated by the Borrower to serve as trustee (the "Trustee"), the Authority intends to issue the Bonds to finance the Project; and

WHEREAS, the Authority, the Borrower and Herbert J. Sims & Co., Inc. (the "Underwriter") intend to enter into a bond purchase agreement (the "Bond Purchase Agreement") in connection with the purchase of the Bonds by the Underwriter; and

WHEREAS, the Underwriter will distribute one or more preliminary offering documents (the "Preliminary Offering Document") and one or more final offering documents (the "Offering Document") in connection with the public offering or private placement and sale of the Bonds;
and

WHEREAS, the Authority will loan the proceeds of the Bonds to the Borrower pursuant to a loan agreement dated as of October 1, 2016, or such other date as maybe agreed upon by the parties (the "Loan Agreement"); and

WHEREAS, a small portion of the Bonds may be issued as federally taxable bonds to comply with Code restrictions on uses of tax-exempt proceeds, including as to costs of issuance (the “Taxable Bonds”; the Bonds issued on a federally tax-exempt basis are the “Tax-Exempt Bonds”);

WHEREAS, the Borrower will use the proceeds from the loan to pay the costs of the Project; and

WHEREAS, to secure its payment obligations under the Loan Agreement, the Borrower will execute and deliver in favor of the Authority or the Trustee as the Authority’s assignee, a Mortgage, Security Agreement and Fixture Filing dated as of October 1, 2016 or such other date as maybe agreed upon by the parties creating a lien on and security interest in the Facilities (the “Mortgage”); and

WHEREAS, a public hearing, as required under Section 147(f) of the Code (“TEFRA Hearing”), will be held on or prior to September 27, 2016, after which the Mayor of the City is expected to approve the issuance of the Tax-Exempt Bonds; and

WHEREAS, after inquiry, and based upon the representations of the Borrower, the Authority has determined that the financing of the Project through the issuance of the Bonds will serve the public purposes of the Act.

NOW THEREFORE, BE IT RESOLVED by the Board of the Authority, that:

Section 1. Approval of the Project. Based upon representations of the Borrower in its application to the Authority, the Authority hereby finds and determines that:

(a) the financing of the Project will be a "project" within the meaning of that term as defined in the Act; and

(b) the financing of the Project through the Authority's issuance of the Bonds under the Act is consistent with the public purposes of the Act.

Section 2. Authorization of the Indenture. The Authority is hereby authorized to enter into the Indenture with the Trustee in such form as may be acceptable to the Authority, in reliance upon the advice of counsel to the Authority and Bond Counsel (as hereinafter appointed), the approval of such form to be conclusively evidenced by the execution thereof by the Chairman or Vice Chairman of the Authority.

Section 3. Authorization of the Bonds. In order to provide funds to pay the costs of the Project, the Authority hereby authorizes the issuance of the Bonds in a series of Tax-Exempt Bonds and a series of Taxable Bonds. The Bonds shall mature within the periods provided in the
Indenture and shall bear interest at fixed rates, all as approved by the Chairman or Vice Chairman of the Authority.

The Bonds, substantially in the forms and substance set forth in the Indenture, are hereby approved with such additions, deletions and modifications to be acceptable to the Authority, in reliance upon the advice of counsel to the Authority and Bond Counsel, the approval of such additions, deletions and modifications to be conclusively evidenced by the execution thereof as provided in Section 4 hereof.

The Bonds shall be special limited obligations of the Authority payable solely from the payments made by the Borrower under the Loan Agreement (hereinafter authorized) and certain other funds and moneys held by the Trustee under the Indenture. The Bonds and the interest and premium, if any, thereon, shall not be in any way a debt or liability of the Commonwealth, the City, or any political subdivision or agency thereof (except for the Authority to the limited extent provided in the Indenture), nor shall the Bonds be payable out of any funds, revenues or properties of the Authority other than those pledged or designated therefor. Neither the general credit of the Authority nor the credit or taxing power of the Commonwealth or the City, or any political subdivision thereof, shall be pledged to the payment of principal of the Bonds or interest and premium, if any, thereon or other cost incident thereto.

Section 4. Declaration of Official Intent. This is to declare the official intent of the Authority to reimburse certain capital expenditures of the Borrower in respect of the Facilities, from the proceeds of the Tax-Exempt Bonds in satisfaction of the “Official Intent Requirement” of Treasury Regulations Section 1.150-2 and in accordance with the provisions thereof.

Section 5. Execution and Issuance of the Bonds. The Chairman or the Vice Chairman of the Authority is hereby authorized, empowered and directed to execute, by true or facsimile signature, the Bonds and to cause to be affixed thereto the true and corporate seal of the Authority, or a facsimile thereof, and the Secretary or Assistant Secretary of the Authority is authorized, empowered and directed to attest, by true or facsimile signature, the execution of the Bonds and affixing the corporate seal; and such officers of the Authority are authorized and directed to deliver the Bonds to the Trustee for authentication, and after such authentication, to deliver them or cause them to be delivered to the Underwriter (hereinafter appointed) against receipt of the purchase price specified in accordance with the Bond Purchase Agreement (hereinafter authorized) and to deposit and disburse the amount so received in accordance with the Indenture.

Section 6. Authorization of the Bond Purchase Agreement. The Authority is hereby authorized to enter into the Bond Purchase Agreement with the Underwriter. The Bond Purchase Agreement shall be in the form as may be acceptable to the Authority, in reliance upon the advice of counsel to the Authority and Bond Counsel, the approval of such form to be conclusively evidenced by the execution thereof by the Chairman or the Vice Chairman of the Authority.

Section 7. Approval of the Preliminary and Final Offering Documents. The Authority hereby approves the distribution by the Underwriter of the Preliminary Offering Document to the extent necessary, setting forth certain information relating to the Authority, the
Project and the Bonds in such form as may be acceptable to the Authority, counsel to the Authority and Bond Counsel. The Underwriter is hereby authorized to distribute the final Offering Document relating to the financing of the Project and the execution and delivery thereof by the Chairman or the Vice Chairman of the Authority is expressly approved.

To the extent, if any, necessary pursuant to Rule 15c2-12 of the Securities and Exchange Commission, the Chairman or the Vice Chairman of the Authority is hereby authorized to deem final that portion of the Preliminary Offering Document relating to the Authority.

Section 8. Authorization of the Loan Agreement. The Authority is hereby authorized to enter into the Loan Agreement. The Loan Agreement shall provide that the Authority will lend the proceeds of the Bonds to the Borrower and that the Borrower will agree, among other things, to make loan repayments in amounts and at times sufficient to timely pay the principal of and interest and premium, if any, on the Bonds. The Authority shall deposit or cause to be deposited with the Borrower, for use in accordance with the provisions of the Loan Agreement, the loan proceeds realized from the Authority. The Loan Agreement shall be in the form as may be acceptable to the Authority, in reliance upon the advice of counsel to the Authority and Bond Counsel, the approval of such form to be conclusively evidenced by the execution thereof by the Chairman or Vice Chairman of the Authority.

Section 9. Execution and Delivery of the Financing Documents. The Chairman or Vice Chairman of the Authority is hereby authorized to execute and deliver, in the name of the Authority and on its behalf, and the Secretary, Assistant Secretary, Treasurer or Assistant Treasurer of the Authority is hereby authorized to attest, as applicable, the following documents, agreements, security agreements, assignments, financing statements, instruments and certifications, as counsel to the Authority, Bond Counsel and the executing officers determine to be reasonable and appropriate to provide for the issuance of the Bonds, and to approve the final form and substance thereof, and any amendments, supplements thereto before or after the initial execution and delivery thereof, and to approve the exact principal amount and interest rates of the Bonds, such approvals to be conclusively evidenced by the execution thereof, and the Secretary or Assistant Secretary is hereby authorized to affix to all such documents the seal of the Authority and to attest to the same:

(a) the Indenture;
(b) the Bonds;
(c) the Bond Purchase Agreement;
(d) the Preliminary Offering Document;
(e) the final Offering Document;
(f) the Loan Agreement;
(g) the Mortgage; and
(h) such other documents, agreements, security agreements, assignments, financing statements, instruments and certifications as counsel to the Authority, Bond Counsel and the executing officers determine to be reasonable and appropriate to provide for the issuance of the Bonds and the use, deposit and disposition of the proceeds of the loan proceeds with the Borrower as may be required.

Section 10. Appointment of Bond Counsel. The Authority, at the request of the Borrower, hereby appoints Kutak Rock LLP, through its Philadelphia, Pennsylvania office to serve as Bond Counsel in connection with the issuance of the Bonds.

Section 11. Appointment of the Underwriter. The Authority, at the request of the Borrower, hereby appoints Herbert J. Sims & Co., Inc., acting on behalf of itself and as representative of Piper Jaffray & Co., Inc., to serve as Underwriter or Placement Agent in connection with the sale of the Bonds.

Section 12. Further Action. Any officer or member of the Authority is hereby authorized and directed to execute such further documents, instruments and certificates and take such further actions as may be necessary or proper to carry out the intent of this Resolution including but not limited to, the holding of the TEFRA Hearing after reasonable public notice and the submission of an application to the Secretary of Community and Economic Development for the Commonwealth of Pennsylvania requesting approval of the Project and the financing thereof together with all supporting documents and information as may be required by the Act or regulations of the Department of Community and Economic Development in connection with obtaining the Secretary's approval thereof.

Section 13. Payment of Fees. Payment of any and all attorney fees, and all other professional and advisory fees incurred in connection with the Project shall be the responsibility of the Borrower and not of the Authority. The Authority shall have no liability with respect to such costs.

Section 14. Effective Date. This Resolution shall become effective immediately.

Section 15. Severability. In the event any provision, section, sentence, clause or part of this Resolution shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this resolution, it being the intent of the Authority that such remainder shall be and shall remain in full force and effect.

Section 16. Repeal of Inconsistent Resolutions. All resolutions or parts of resolutions, inconsistent herewith are repealed and rescinded.
I, _______________________, (Assistant) Secretary, of the Philadelphia Authority for Industrial Development, do hereby certify that the above is a true and correct copy of the original Resolution adopted at the regular meeting of the Authority on September 27, 2016. I do further hereby certify that the above Resolution has not been amended, rescinded, cancelled or annulled since the date thereof and remains in full force and effect as of the date hereof.

Title: (Assistant) Secretary
October 13, 2016

James Leonard, Esq.
Records Commissioner
Department of Records
Room 156, City Hall
Philadelphia, PA. 19107

RE: Potential Conflicts of Interest - Chapter 20-600 Philadelphia Code

Dear Mr. Leonard:

I am a Member of the Board of Directors of the Philadelphia Authority for Industrial Development (PAID). I am also Managing Partner of the law firm of Kleinbard LLC.

I participated in a meeting of the PAID Board on October 13, 2016 and disclosed that Kleinbard LLC represents the Harambee Institute of Science and Technology Charter School, Inc. and I, therefore, announced my disqualification from consideration of a Resolution authorizing the issuance of charter school revenue bonds (the “Bonds”) through the Philadelphia Authority for Industrial Development (“PAID” or the “Authority) on behalf of the School in an amount not to exceed $7,500,000.

The proceeds of the bonds will be used by the Borrower to finance all or a portion of (i) the acquisition of and improvement to the facility currently leased by the School at 640 North 66th Street in the City of Philadelphia, PA, (ii) a capitalized interest and debt service reserve fund, if necessary, and (iii) costs of issuance.

Sincerely,

DAVID L. HYMAN, ESQUIRE

DLH/jg
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT

RESOLUTION

AGREEING TO ASSIST IN THE FINANCING BY THE MONTGOMERY COUNTY HIGHER EDUCATION AND HEALTH AUTHORITY OF A PROJECT ON BEHALF OF HOLY REDEEMER HEALTH SYSTEM, HR PHYSICIAN SERVICES AND CERTAIN AFFILIATES

WHEREAS, Holy Redeemer Health System and HR Physician Services (together, the "Borrowers"), are each a Pennsylvania nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), with facilities located in the City of Philadelphia, Pennsylvania; and

WHEREAS, the Borrowers have requested that the Montgomery County Higher Education and Health Authority (the “Montgomery County Authority”) provide financial assistance by issuing its revenue bonds (the “Bonds”) to finance a project (the “Project”) on behalf of the Borrowers and certain of their affiliates as further described in the TEFRA Notice attached hereto as Exhibit A; and

WHEREAS, the Montgomery County Authority desires the assistance of the Philadelphia Authority for Industrial Development (“PAID”) in the financing of the Project and the issuance of the Bonds; and

WHEREAS, in connection with the financing by the Montgomery County Authority of the Project, PAID will be required to cooperate with appropriate officials of the City of Philadelphia, Pennsylvania, and to conduct a public hearing for the purpose of securing the necessary public approval required under Section 147(f) of the Code; and

NOW, THEREFORE, BE IT RESOLVED, by the Philadelphia Authority for Industrial Development as follows:

1. PAID hereby agrees to assist the Montgomery County Authority in the financing of the Project and the issuance of the Bonds.

2. The appropriate officers of PAID are hereby authorized and directed to take such action as may be necessary or desirable to do and perform for or on behalf of PAID to assist the Montgomery County Authority in connection with the Project including, without limitation, conducting a public hearing with respect to the Project and the issuance of the Bonds by the Montgomery County Authority and to report thereon, all as required by Section 147 of the Code.

3. All costs of the Project, including fees and expenses of PAID, shall be paid by the Borrower from the proceeds of the financing or otherwise from its available funds, and PAID shall have no responsibility therefor.
4. Any actions taken prior to the adoption hereof by the officers of the Authority in connection with assisting the Montgomery County Authority in the financing of the Project and the issuance of the Bonds are hereby approved, ratified and confirmed.

5. This Resolution shall take effect immediately upon adoption. Adopted this 13th day of October, 2016.
I, the (Assistant) Secretary of Philadelphia Authority for Industrial Development, do hereby certify that the foregoing is a true, correct and complete copy of a resolution adopted by the Authority at a meeting held on September 27, 2016, notice of which was given in accordance with the requirements of law and the by-laws of the Authority and at which a quorum of the Authority was present and acted throughout; and that such resolution has not been amended, modified or repealed.

______________________________
(Assistant) Secretary
Mr. John S. Grady, President  
Philadelphia Industrial Development Corporation  
2600 Centre Square West, 1500 Market Street  
Philadelphia, PA. 19102

James Leonard, Esq  
Commissioner of Records  
Department of Records  
Room 156, City Hall  
Philadelphia, PA. 19107

RE: Potential Conflicts of Interest - Chapter 20-600 Philadelphia Code

Dear Mr. Leonard:

I am a Member of the Board of Directors of the Philadelphia Authority for Industrial Development (PAID). I am also Managing Partner of the law firm of Kleinbard LLC.

I was present at a PAID Board meeting today and disclosed that Kleinbard LLC represents SA 1006 Buttonwood, LP and I, therefore, announced my disqualification from consideration of a Resolution authorizing the Philadelphia Authority for Industrial Development (PAID) to acquire fee simple title to an approximately 15,920 square foot property located at 1006 Buttonwood Street from the City of Philadelphia, and further authorizing PAID to sell this property to SA 1006 Buttonwood, LP or its assignee or nominee, for $1,150,000.

Sincerely,

DAVID L. HYMAN, ESQUIRE

DLH/jg
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Philadelphia, Pennsylvania

BOND RESOLUTION

Adopted: October 13, 2016

WHEREAS, the Philadelphia Authority for Industrial Development (the “Authority”) is a public instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”) and a public body corporate and politic organized and existing under the Act of August 23, 1967, P.L. 251, as amended, known as the Economic Development Financing Law (the “Act”) and is authorized under the Act to lend funds to finance the costs of certain projects; and

WHEREAS, the Act authorizes the Authority to issue revenue bonds for the purposes of defraying the cost of any such project and all incidental expenses incurred in connection with the issuance of such bonds and to secure the payment of such bonds as provided by the Act; and

WHEREAS, Southwest Leadership Academy, a Pennsylvania nonprofit corporation (the “Borrower”) and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, has requested the Authority to issue up to $40,000,000 aggregate principal amount of its bonds (the “Bonds”), in one or more series in order to finance a project (the “Project”) consisting generally of: (i) the acquisition of an approximately 5.915 acre (257,638 SF) site of land consisting of 1 city block and the construction and equipping of an approximately 78,492 square foot charter school, and 200 meter track on such land (and related capital improvements) able to accommodate 1,100 students in grades Kindergarten through 8th grade, located at 1300 South 58th Street, Philadelphia, Pennsylvania 19143 (the “Facility”); (ii) funding capitalized interest on the Bonds, if any, a deposit to an operating reserve fund, if required and a deposit to a debt service reserve fund, if required; and (iii) funding costs of issuance of the Bonds; and

WHEREAS, the Authority proposes to sell the Bonds to B.C. Ziegler and Company (the “Underwriter”) pursuant to a bond purchase agreement among the Authority, the Borrower and the Underwriter (the “Bond Purchase Agreement”); and

WHEREAS, the Bonds will be issued pursuant to a Trust Indenture (the “Indenture”) between the Authority and Wilmington Trust, N.A. as trustee (the “Trustee”);

WHEREAS, the Authority will loan the proceeds of the Bonds (the “Loan”) to the Borrower pursuant to a Loan Agreement (the “Loan Agreement”), between the Borrower and the Authority, and the Borrower will agree, among other things, pursuant to the Loan Agreement, to make timely loan repayments in amounts equal to the principal of, premium, if any, and interest due on the Bonds; and

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WHEREAS, the Loan will be evidenced by a promissory note (the “Note”) from the Borrower to the Authority (and assigned to the Trustee) and the Note will be secured by, among other interests granted by the Borrower to the Trustee, a mortgage and a security interest in certain assets of the Borrower granted by the Borrower for the benefit of the Trustee; and

WHEREAS, a public hearing has been held on behalf of the Authority in accordance with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), and the Authority will request the Mayor of the City of Philadelphia, Pennsylvania (the “City”) to approve the issue of the Bonds prior to their delivery; and

WHEREAS, the Authority desires to authorize the issuance, execution and delivery of the Bonds, and the execution and delivery of the documents, agreements and certificates further described herein and the undertaking of the Project, and desires to authorize any officer of the Authority to execute such documents, agreements and certificates on behalf of the Authority as shall be necessary or appropriate to issue the Bonds and to finance the Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Philadelphia Authority for Industrial Development, that:

Section 1. APPROVAL OF PROJECT. In accordance with the purposes and objectives of the Act, the Authority hereby finds, determines and declares that financing the Project will be a “project” within the meaning of that term as defined in the Act, and approves of and undertakes the financing of the Project as described in the preambles of this Resolution, subject to such modifications as the Authority shall approve with the advice of its counsel.

Section 2. AUTHORIZATION AND EXECUTION OF THE BONDS: LOAN TO BORROWER.

(a) In order to provide funds to pay the costs of the Project, the Authority is hereby authorized to issue the Bonds in aggregate principal amount of up to $40,000,000, in one or more series, upon the terms and conditions further approved hereby.

(b) The issuance of the Bonds in one or more series is hereby approved, each series to bear interest on a tax-exempt or taxable basis, as advised by bond counsel. Each series of the Bonds shall be designated as approved by an officer of the Authority (such approval to be evidenced by execution of the Bonds) with appropriate subseries designation if required.

(c) The Bonds shall be special obligations of the Authority payable only out of the payments made by the Borrower under the Loan Agreement. The Bonds shall not be in any way a debt or liability of the Commonwealth, the City or of any political subdivision thereof and shall not create or constitute any indebtedness, liability or obligation of the Commonwealth, the City or any political subdivision, legal, moral or otherwise, nor shall the Bonds be payable out of any funds, revenues or properties of the Authority other than those pledged therefor. No taxing power of the City, the Commonwealth or any other political subdivision thereof is pledged to the payment of the principal or purchase price of the Bonds or interest thereon or any premium or other cost incident thereto. The Authority has no taxing power.
(d) The officers of the Authority are hereby authorized to approve the form, exact principal amount, maturity dates, interest rates, redemption provisions and other terms of each series of the Bonds, on the advice of its counsel and bond counsel, such approval to be conclusively evidenced by the execution of the Bonds as provided below.

(e) Any officer of the Authority is hereby authorized to execute the Bonds by manual or facsimile signature; any officer of the Authority is hereby authorized to attest by manual or facsimile signature and to affix the seal of the Authority on the Bonds (which is hereby authorized to be impressed or imprinted on the Bonds); and following such execution, the officers of the Authority are hereby authorized to deliver or to cause to be delivered the Bonds to the Underwriter against receipt of the purchase price specified in the Bond Purchase Agreement, and to deposit and disburse such purchase price as provided in the Indenture and Loan Agreement.

(f) The proceeds of the Bonds shall be loaned to the Borrower to finance the Project, including reimbursement of the Borrower for costs paid by the Borrower prior to the issuance of the Bonds. The Loan Agreement shall provide for the Borrower to make loan repayments in amounts sufficient to, among other things, meet the debt service requirements on the Bonds and any fees or other amounts due the Authority with respect to the Bonds.

The final terms of each series of Bonds shall be conclusively evidenced by the execution by authorized officers of the Authority of the Bond Purchase Agreement.

Section 3. APPROVAL AND EXECUTION OF DOCUMENTS. Any officer of the Authority is hereby authorized and directed to execute and deliver the Bonds, the Indenture, the Loan Agreement and the Bond Purchase Agreement, and such other documents required to be executed in connection therewith, in such forms as counsel may advise and the officers executing the same may approve, such approval to be conclusively evidenced by their execution thereof.

Section 4. APPOINTMENT OF TRUSTEE AND BOND COUNSEL. The Authority hereby approves the appointment by the Borrower of Wilmington Trust, N.A., as trustee, and Greenberg Traurig, LLP, as bond counsel, in connection with the issuance of the Bonds.

Section 5. APPROVAL OF PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT. The Authority hereby authorizes the distribution by the Underwriter of a Preliminary Official Statement (the “Preliminary Official Statement”) setting forth certain information relating to the Authority, the Borrower, the Project and the Bonds. The form of the Preliminary Official Statement shall be as approved by an officer of the Authority upon advice of counsel to the Authority and bond counsel. Any of the officers of the Authority are hereby authorized to “deem final” the Preliminary Official Statement for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. A final Official Statement (the “Official Statement”), with such changes from the Preliminary Official Statement as approved by an officer of the Authority upon advice of counsel to the Authority and bond counsel shall be used by the Underwriter in connection with the offer and the sale of the Bonds. The Authority hereby authorizes the Underwriter to distribute the Official Statement in connection with the offer and sale of the Bonds.
Section 6. INCIDENTAL ACTION. The officers of the Authority are hereby authorized and directed to execute and deliver such other documents, certificates and instruments, including without limitation such intercreditor, subordination or other security agreements reasonably requested by the Underwriter, and to take such other action as may be necessary or appropriate in order to effectuate and consummate: (i) the Project, (ii) the execution, delivery and receipt of the Indenture, the Loan Agreement, the Bond Purchase Agreement, and the Tax Regulatory Agreement, and (iii) the issuance, sale, and delivery of the Bonds, all in accordance with the foregoing Sections hereof.

Section 7. AUTHENTICATION. The Trustee is hereby authorized, directed and requested to authenticate the Bonds and to deliver them to or upon the order of an authorized officer of the Authority.

Section 8. CUSIP NUMBERS. In accordance with the recommendation of the American Bankers Association Committee on Uniform Security Identification Procedures ("CUSIP"), a CUSIP number may be imprinted on each of the Bonds in definitive form.

Section 9. RATIFICATION. All actions heretofore taken by the officers of the Authority in connection with the Project and the negotiation of the documents referred to in the foregoing provisions of this Resolution are hereby ratified, confirmed and approved.

Section 10. EFFECTIVE DATE: REPEAL. This Resolution shall take effect immediately upon its adoption, and all prior resolutions or parts thereof inconsistent herewith are hereby repealed to the extent of any such inconsistencies.

[The remainder of this page is left blank intentionally.]
I, the undersigned (Assistant) Secretary of the Philadelphia Authority for Industrial Development, hereby certify that the foregoing is the text of the Resolution adopted by said Authority at a meeting held October 13, 2016 after the giving of the required public notice and at which a quorum was present.

______________________________
(Assistant) Secretary

[SEAL]
RESOLUTION OF THE PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT AUTHORIZING AND APPROVING THE FINANCING OF A PROJECT FOR THOMAS JEFFERSON UNIVERSITY AND APPROVING THE ISSUANCE OF BONDS TO FINANCE THE COSTS THEREOF.

ADOPTED: October 13, 2016

WHEREAS, the Authority is a body corporate and politic constituting a public instrumentality of the Commonwealth of Pennsylvania (the “Commonwealth”), created under and pursuant to the Pennsylvania Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth, approved August 23, 1967 (P.L. 251), as amended and supplemented (the “Act”); and

WHEREAS, the Authority is authorized pursuant to the Act to acquire, hold, construct, improve, maintain, operate, own, finance, and lease, either in the capacity of lessor or lessee, industrial, commercial, or specialized development projects; and

WHEREAS, Thomas Jefferson University (“TJU”) is a nonprofit corporation duly created and validly existing under the laws of the Commonwealth and a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, TJU has made application to the Authority requesting that the Authority undertake a project (the “Project”) that consists of:

(a) the payment of (or the reimbursement to TJU and its affiliates) for the costs of the acquisition, construction and development of various capital assets and the making of other capital improvements in various academic health care, research, education and clinical care programs and related missions of TJU and its affiliates, including, but not limited to the construction, renovation, expansion and development of a vivarium for the Lab Animal Services program, the construction, renovation, expansion and development of laboratory and research space and related support areas, and the acquisition, construction, development, improvement, equipping of a cancer center to be located at the outpatient campus of Abington Health Center in Willow Grove, PA;

(b) the refunding of the (i) Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Thomas Jefferson University) Series 2006A, issued in the original principal amount of $25,000,000 and (ii) Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Thomas Jefferson University) Series 2006B, issued in the original principal amount of $60,420,000;

(c) the refunding of all or a portion of the Montgomery County Higher Education and Health Authority Hospital Revenue Bonds, Series A of 2009 (Abington Memorial Hospital Obligated Group), issued in the original principal amount of $152,935,000;

(d) the refunding of the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Thomas Jefferson University) Series 2010, issued in the original principal amount of $75,000,000;
(e) the refunding of the Montgomery County Higher Education and Health Authority Hospital Revenue Bonds, Series B of 2012 (Abington Memorial Hospital Obligated Group), issued in the original principal amount of $50,000,000;

(f) to finance the financial consolidation with Aria Health System through the redemption in whole of the outstanding Philadelphia Authority for Industrial Development Revenue Bonds Series 2014 (Aria Health System Project), issued for the benefit of Aria Health System and its affiliates in the original principal amount of $75,000,000;

(g) the entry into certain other interest rate hedging arrangements and/or the amendment of existing interest rate hedging arrangements, if deemed necessary;

(h) the funding of any necessary reserves and of the payment of interest on all or a portion of the Bonds defined below; and

(i) the payment of certain costs and expenses incident to paying the financing and other costs of the Project; and

WHEREAS, at the request of TJU, the Authority has determined to issue one or more series of its revenue bonds (the “Bonds”) pursuant to one or more trust indentures (collectively, the “Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and will loan the proceeds of the Bonds to TJU pursuant to one or more loan agreements (collectively, the “Loan Agreement”) between the Authority and TJU, to pay all or a portion of the costs of the Project; and

WHEREAS, as security for the Bonds, the Authority will cause certain of its rights under the Loan Agreement to be assigned to the Trustee concurrently with the issuance of the Bonds; and

WHEREAS, in connection with the offering and sale of the Bonds, the Authority will enter into one more bond purchase agreements (collectively, the “Bond Purchase Agreement”) by and among the Authority, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities, LLC, or a successor(s) underwriter to be designated by TJU, as underwriter (collectively, the “Underwriter”) and TJU pursuant to which the Underwriter will offer to purchase the Bonds upon the terms and conditions set forth therein; and

WHEREAS, in connection with the offering of the Bonds, one or more preliminary official statements (collectively, the “Preliminary Official Statement”) and one or more final official statements (collectively, the “Official Statement”) will be prepared containing certain information about, among other things, TJU and its affiliates, the Project, the Authority and the Bonds; and

WHEREAS, the Authority desires to authorize and approve the Project, the issuance, execution and delivery of the Bonds, and the execution and delivery of the Indenture, the Loan Agreement, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement and such other instruments and documents as shall be necessary or appropriate to effectuate the purposes of this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the members of the Authority as follows:

Section 1. Approval of Project and Issuance of the Bonds. The Authority hereby authorizes and approves the undertaking of the Project and the issuance of the Bonds to finance all or a portion of the costs of the Project. The Bonds shall be designated “Philadelphia Authority for Industrial Development Thomas Jefferson University Revenue Bonds, Series 2016” (or such other designation as may be approved by counsel to the Authority) and shall be issued in one or more series as tax-exempt and/or taxable bonds and secured pursuant to the Indenture in an aggregate principal amount not to exceed $450,000,000. The Bonds shall bear
interest at variable or fixed rates of interest (or any combination thereof) and shall contain such other terms and conditions as set forth in the Indenture.

Section 2. Approval of the Indenture. The Authority hereby authorizes and approves the execution and delivery of the Indenture, containing such terms and provisions as Bond Counsel, counsel to the Authority and the Authorized Officer (as defined in section 6 hereof) of the Authority executing the Indenture shall approve, such approval to be conclusively evidenced by such officer’s execution thereof.

Section 3. Approval of the Loan Agreement. The Authority hereby authorizes and approves the execution and delivery of the Loan Agreement, containing such terms and provisions as counsel to the Authority and the Authorized Officer of the Authority executing the Loan Agreement shall approve, such approval to be conclusively evidenced by such officer’s execution thereof.

Section 4. Sale of the Bonds: Approval of the Bond Purchase Agreement.

(a) The Authority hereby authorizes and approves the sale of the Bonds to the Underwriter. The Bonds shall be sold to the Underwriter at such rates and on such terms and conditions as are set forth in the Bond Purchase Agreement.

(b) The Authority hereby authorizes and approves the execution of the Bond Purchase Agreement containing such terms and provisions as Bond Counsel, counsel to the Authority and the Authorized Officer of the Authority executing the same shall approve, such approval to be conclusively evidenced by such officer’s execution thereof.

Section 5. Execution of Preliminary Official Statement and Official Statement. The Authority hereby authorizes and approves the distribution and execution of a Preliminary Official Statement and an Official Statement in such forms as counsel to the Authority and the Authorized Officer of the Authority executing the same (if any) shall approve. The Authority hereby authorizes and directs any Authorized Officer to certify to the Underwriter that the Preliminary Official Statement, as approved, is deemed final within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

Section 6. Direction to Authorized Officers.

(a) For purposes of this Resolution, the Chairman or Vice Chairman of the Board of the Authority shall be deemed to be an “Authorized Officer,” and each Authorized Officer may act jointly or severally in performing its duties hereunder.

(b) The Board of the Authority hereby authorizes and directs any Authorized Officer to execute and deliver the Bonds, the Indenture, the Loan Agreement, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement, and, subject to the approval thereof by counsel to the Authority and the Authorized Officer executing the same, to execute and deliver any other document, agreement, instrument or certificate required to be executed by the Authority in connection with the issuance of the Bonds, and such execution and delivery shall be conclusive evidence of the approval thereof by the Board of the Authority.

(c) The Board of the Authority hereby authorizes and directs the Secretary of the Authority to affix and attest the seal of the Authority to any document as required, and to attest the signature of any Authorized Officer where required.

Section 7. Further Action. The Authorized Officers are hereby authorized and directed, jointly and severally, to take such further actions and execute such additional documents as may be necessary or
appropriate to effectuate the matters contemplated by this Resolution, to implement and complete the Project, to issue and sell the Bonds, or to otherwise effectuate the purposes of this Resolution.

Section 8. Prior Actions. All actions heretofore taken and all documents and instruments heretofore executed by or on behalf of the Authority in connection with the Project and the Bonds are hereby ratified and approved.

Section 9. Appointment of Bond Counsel, Trustee and Underwriter. Ballard Spahr LLP, Philadelphia, Pennsylvania, is hereby appointed Bond Counsel; The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Trustee; and each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities, LLC (or any successor(s) to its underwriting business to be designated by TJU) is hereby appointed to serve as Underwriter with respect to the Bonds.

Section 10. Limitation of Liability. The issuance and sale of the Bonds shall not be construed so as to give rise to any pecuniary liability of the Authority or any of its members, officers, or employees, or to give rise to a charge upon the general credit of the Authority or such members, officers or employees, including without limitation in respect of general liability for repayment of the Bonds; any pecuniary liability hereunder of the Authority shall be limited exclusively to the extent provided for in the Indenture and Loan Agreement.

Section 11. Effective Date of Resolution. This Resolution shall take effect immediately.
The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of PAID and is not intended and should not be used by anyone other than these specified parties.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.
September 12, 2016

Those Charged with Governance
Philadelphia Authority for Industrial Development

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On March 8, 2016 we presented an overview of our plan for the audit of the financial statements of Philadelphia Authority for Industrial Development (PAID) as of and for the year ended December 31, 2015, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of PAID’s accounting practices and policies, management’s judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to Philadelphia Authority for Industrial Development and look forward to meeting with you on September 13, 2016 to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP
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<tr>
<th>Topic</th>
<th>Page</th>
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<td>Status of Our Audit</td>
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<td>Results of Our Audit</td>
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<td>Internal Control Over Financial Reporting</td>
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<td>Other Required Communications</td>
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<td>10</td>
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</tbody>
</table>
Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended December 31, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements. The objective of the audit of federal awards was to determine if PAID has complied with the compliance requirements that could have a direct and material effect of its major program.

- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications in March.

- We expect to issue an unmodified opinion on the financial statements and release our report within two weeks.

- Our responsibility for other information in documents containing PAID’s audited financial statements does not extend beyond the financial information identified in the audit report (i.e. Management’s Discussion and Analysis), and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by PAID and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management’s attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.

- All records and information requested by BDO were freely available for our inspection.

- Management’s cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of personnel throughout the course of our work.
Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES AND SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning PAID’s accounting practices, policies, and estimates and significant unusual transactions:

PAID’s significant accounting practices and policies are those included in Note A to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note A to the financial statements. There were no changes in significant accounting policies and practices, including new adoptions of accounting pronouncements during December 31, 2015.

Significant estimates are those that require management’s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. PAID’s significant accounting estimates, including a description of management’s processes and significant assumptions used in development of the estimates, are disclosed in Note A of the financial statements.

<table>
<thead>
<tr>
<th>Significant accounting estimates and related disclosures include:</th>
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<tbody>
<tr>
<td>Allowance for Loan Loss</td>
</tr>
<tr>
<td>Amounts Due To/From Related Parties</td>
</tr>
<tr>
<td>Useful Lives of Capital Assets</td>
</tr>
<tr>
<td>Commitments and Contingencies</td>
</tr>
</tbody>
</table>

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2015.

The methods used to account for significant or unusual transactions, and related disclosures, are considered appropriate.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There was one uncorrected misstatement, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management for their consideration.
Results of Our Audit

QUALITY OF PAID’S FINANCIAL REPORTING

- There were no significant alternative accounting treatments and/or controversial or emerging areas that impacted the financial statements. Also there were no situations involving the adoption of, or change in, accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on PAID’s financial statements.

- We believe the presentation of the financial statements, including the overall neutrality, consistency and clarity of the disclosures, are appropriate and in conformity with the financial reporting framework for the governmental industry. Our evaluation considered the form, arrangement, and content of the financial statements and notes, encompassing matters such as the terminology used, the amount of detail given, the classification of items and the basis of amounts set forth.
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PAID’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PAID’s internal control. Accordingly, we do not express an opinion on the effectiveness of PAID’s internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in PAID’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficiency in Internal Control</td>
<td>A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.</td>
</tr>
<tr>
<td>Significant Deficiency</td>
<td>A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.</td>
</tr>
<tr>
<td>Material Weakness</td>
<td>A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of PAID’s financial statements will not be prevented, or detected and corrected on a timely basis.</td>
</tr>
</tbody>
</table>

In conjunction with our audit of the financial statements, we noted no material weaknesses.
Other Required Communications

Following is a summary of required items, along with specific discussion points as they pertain to PAID:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Discussion Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant changes to planned audit strategy or significant risks initially identified</td>
<td>There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications in March.</td>
</tr>
<tr>
<td>Obtain information from those charged with governance relevant to the audit</td>
<td>There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding PAID’s financial reporting that we were made aware of as a result of our inquiry of those charged with governance.</td>
</tr>
<tr>
<td>Nature and extent of specialized skills or knowledge needed related to significant risks</td>
<td>There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.</td>
</tr>
<tr>
<td>Extent to which our plan to use the work of others and the basis for our determination that we can serve as the principal auditor has changed since our planning communication</td>
<td>Since our Audit Planning communications, there have been no changes in: the names, locations and planned responsibilities of other independent public accounting firms or others, who are not employed by BDO, who perform audit procedures in the current audit period (i.e. Use of The Meridian Group to assist us as described in our engagement letter), or our ability to serve as the principal auditor.</td>
</tr>
<tr>
<td>Consultations with other accountants</td>
<td>We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.</td>
</tr>
<tr>
<td>Significant findings and issues arising during the audit in connection with the PAID’s related parties</td>
<td>We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.</td>
</tr>
<tr>
<td>Disagreements with management</td>
<td>There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to PAID’s financial statements or to our auditor’s report.</td>
</tr>
<tr>
<td>Significant difficulties encountered during the audit</td>
<td>There were no significant difficulties encountered.</td>
</tr>
</tbody>
</table>

AUDIT WRAP-UP - DECEMBER 31, 2015
Other Required Communications

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Discussion Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other matters significant to the oversight of PAID’s financial reporting process, including complaints or concerns regarding accounting or auditing matters</td>
<td>There are no other matters that we consider significant to the oversight of PAID’s financial reporting process that have not been previously communicated.</td>
</tr>
<tr>
<td>Representations requested from management</td>
<td>A management representation letter has been requested and a copy is available to those charged with governance.</td>
</tr>
</tbody>
</table>
Independence Communication

Our engagement letter to you dated January 6, 2016 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of PAID with respect to independence as agreed to by PAID. Please refer to that letter for further information.
Upcoming Accounting and Reporting Matters

GASB 72: *Fair Value Measurement and Application*. Standard is required to be implemented by PAID for the year ended December 31, 2016 for all financial assets and liabilities measured at fair value. This standard brings commercial fair value terminology and methodology to financial reporting for governmental entities. This includes level input (Level 1, 2, 3) disclosures of financial assets and liabilities measured at recurring fair value as well as nonrecurring fair value measurements (i.e. impaired assets).